

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2005**

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

JUNE 30, 2005

TABLE OF CONTENTS

	Page No.
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-12
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14-16
Governmental Fund Financial Statements:	
Balance Sheet	17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	18
Statement of Revenues, Expenditures and Changes in Fund Balances	19-20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	21
Proprietary Fund Financial Statements:	
Statement of Net Assets	22
Statement of Revenues, Expenses and Changes in Net Assets	23
Statement of Cash Flows	24
Notes to Financial Statements	25-37
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund	38
Budgetary Comparison Schedule - Budget to GAAP Reconciliation	39
Notes to Required Supplementary Information - Budgetary Reporting	40
Other Supplementary Information:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	41
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	42
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	43
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	44
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	45-46
Schedule of Findings	47-50

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

OFFICIALS

Name	Title	Term Expires
-----	-----	-----
Board of Education		
(Before September 2004 Election)		
Roger Balk	President	2005
Phil Johnson	Vice President	2005
Amy Matt	Board Member	2006
Daniel Berns	Board Member	2006
Darla Zittergruen	Board Member	2004

Board of Education		
(After September 2004 Election)		
Roger Balk	President	2005
Phil Johnson	Vice President	2005
Amy Matt	Board Member	2006
Daniel Berns	Board Member	2006
Darla Zittergruen	Board Member	2007

School Officials		
Allan Nelson	Superintendent	2005
Mary Seifert	District Secretary/Treasurer	2005
Stephen Saunders	Attorney	2005

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Garnavillo Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Garnavillo Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with United States of America generally accepted auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Garnavillo Community School District at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 7, 2005, on our consideration of the Garnavillo Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 38 through 40 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Garnavillo Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

O'CONNOR, BROOKS & CO., P.C.

Dubuque, Iowa
September 7, 2005

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

This section of the Garnavillo Community School District's financial statements presents its discussion of the District's financial performance during the fiscal year ending June 30, 2005. The analysis focuses on District financial performance as a whole.

Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- General fund revenues increased from \$2,792,042 in fiscal year 2004 to \$2,959,279 in fiscal year 2005, while general fund expenditures increased from \$2,673,953 in fiscal year 2004 to \$2,715,223 in fiscal year 2005. The fiscal year 2005 balance of \$1,011,869 increased from the fiscal year 2004 balance of \$767,266, resulting in an 32% increase.
- General fund revenues increased by approximately \$167,000 due to an increase of \$115,000 in revenues received from the Guttenberg Community School District because of an increase of regular education and special education students being served by Garnavillo staff as part of the whole grade sharing agreement. The remaining \$52,000 was the expensing and receipt of approximately two years of REAP funding.
- Local option sales tax collections in Clayton County began on January 1, 2004. The district began receiving funds in March 2004. Total revenues received during the period of July 2004 - June 2005 was \$95,078.
- The September 2004 certified enrollment decreased 7.1 students versus September 2003.
- A merger of the Garnavillo Community School District with the Guttenberg Community School District will go into affect on July 1, 2005. The vote for reorganization was approved by the voters on September 14, 2004.
- The District was the recipient of a reading first grant totaling \$216,450 which will be distributed over a three year period beginning with the 2003-04 fiscal year.

Overview of Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The Statement of Net Assets and Statement of Activities provide information on a government-wide basis. The statements present an aggregate view of the District's finances. Government-wide statements contain useful long-term information as well as information for the just-completed fiscal year.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long-term financial information about the activities the District operates like businesses, such as food services.
- Fiduciary funds statements provide information about the financial relationship in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating respectively.
- To assess the District's overall financial health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are divided into two categories:

- Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.
- Business type activities: The District charges fees to help cover the costs of certain services it provides. The District's food service program is included here.

Fund Financial Statements

Fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- Governmental funds: Most of the District's basic services are included in the governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements.

The District's governmental funds include the General Fund, Special Revenue Funds which include Management, Student Activity, and Physical Plant and Equipment Levy, and a Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenses, and changes in fund balances.

- **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. Internal service funds (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. The District does not currently have any internal service funds.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Financial Analysis of the District as a Whole

Net Assets. The table below provides a summary of the District's net assets for the year ended June 30, 2005 as compared to June 30, 2004.

<p style="text-align: center;">Figure A-1 Condensed Statement of Net Assets (Expressed in Thousands)</p>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
Current and other assets	\$ 1,631	\$ 3,118	\$ 16	\$ 8	\$ 1,647	\$ 3,126	(47.3)%
Capital assets	785	645	---	---	785	645	21.7 %
Total Assets	\$ 2,416	\$ 3,763	\$ 16	\$ 8	\$ 2,432	\$ 3,771	(35.5)%
Current liabilities	\$ 361	\$ 2,066	\$ ---	\$ ---	\$ 361	\$ 2,066	(82.5)%
Noncurrent liabilities	164	147	---	---	164	147	11.6 %
Total Liabilities	\$ 525	\$ 2,213	\$ ---	\$ ---	\$ 525	\$ 2,213	(76.3)%
Net Assets							
Invested in capital assets, net of related debt	\$ 785	\$ 645	\$ ---	\$ ---	\$ 785	\$ 645	21.7 %
Restricted	203	207	---	---	203	207	(1.9)%
Unrestricted	903	698	16	8	919	706	30.2 %
Total Net Assets	\$ 1,891	\$ 1,550	\$ 16	\$ 8	\$ 1,907	\$ 1,558	22.4 %
	=====	=====	=====	=====	=====	=====	=====

The District's combined net assets increased by 22%, or approximately \$349,000 over the prior year. A significant portion of the District's net assets is invested in capital assets, while the District also experienced a decrease in special education instruction expenditures in the amount of \$69,000, primarily due to saving costs related to a whole grade sharing agreement with the Guttenberg Community School District. The District was also the recipient of a reading first grant in the amount of \$65,000, and had a two year withdrawal of REAP funding in the amount of \$62,000.

Changes in net assets. Figure A-2 shows revenue and expenses for the 2005 fiscal year as compared to the 2004 fiscal year:

<p style="text-align: center;">Figure A-2 Changes in Net Assets from Operating Results (Expressed in Thousands)</p>									
	Governmental Activities			Business Type Activities			Total District		
	2005	2004	Net Change	2005	2004	Net Change	2005	2004	Net Change
Revenues									
Program Revenues									
Charges for services	\$ 990	\$ 867	\$ 123	\$ 70	\$ 74	\$ (4)	\$ 1,060	\$ 941	\$ 119
Operating grants & contributions	305	215	90	49	47	2	354	262	92
General Revenues									
Property taxes	1,135	1,167	(32)	---	---	---	1,135	1,167	(32)
Local option sales and service tax	95	22	73	---	---	---	95	22	73
Instructional support surtax	84	178	(94)	---	---	---	84	178	(94)
Unrestricted state grants	642	646	(4)	---	---	---	642	646	(4)
Unrestricted investment earnings	10	20	(10)	---	---	---	10	20	(10)
Other	6	11	(5)	---	---	---	6	11	(5)
Total Revenues	\$ 3,267	\$ 3,126	\$ 141	\$ 119	\$ 121	\$ (2)	\$ 3,386	\$ 3,247	\$ 139
Expenses									
Instruction	\$ 2,057	\$ 2,019	\$ 38	\$ ---	\$ ---	\$ ---	\$ 2,057	\$ 2,019	\$ 38
Support services	745	794	(49)	---	---	---	745	794	(49)
Noninstructional programs	---	---	---	111	116	(5)	111	116	(5)
Other expenses	125	102	23	---	---	---	125	102	23
Total Expenses	\$ 2,927	\$ 2,915	\$ 12	\$ 111	\$ 116	\$ (5)	\$ 3,038	\$ 3,031	\$ 7
Increase (Decrease) in Net Assets	\$ 340	\$ 211	\$ 129	\$ 8	\$ 5	\$ 3	\$ 348	\$ 216	\$ 132

As shown in Figure A-2, property tax and unrestricted state grants account for 54% of the funding required for governmental programs as compared to 56% in 2004. Charges for services and operating grants provide 100% of the funding for business type activities (food service program) in both 2005 and 2004.

Total District revenues exceeded total expenses in 2005, thereby increasing net assets \$348,000. Business type activities contributed \$8,000 to this increase, with the remaining \$340,000 coming from governmental activities.

The various functions as a percentage of total expenses are as follows:

	2005	2004
	-----	-----
Instruction	67 %	68 %
Administration	12	9
Maintenance	10	10
Transportation	3	4
Food Service	4	4
Other	4	5
	-----	-----
Total	100 %	100 %

Governmental Activities

Revenues for governmental activities were \$3,267,000 while total expenses were \$2,927,000 for 2005. The table below presents the cost of six major district activities and each activities net cost. Net cost shows equals the total cost less fees generated by the activities and intergovernmental aid provided for specific programs. The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Figure A-3				
Total and Net Cost of Governmental Activities				
(Expressed in Thousands)				

	2005		2004	
	-----	-----	-----	-----
	Total	Net	Total	Net
	-----	-----	-----	-----
Instruction	\$ 2,057	\$ 1,330	\$ 2,019	\$ 1,691
Support services	745	252	794	117
Other	125	50	102	24
	-----	-----	-----	-----
Total	\$ 2,927	\$ 1,632	\$ 2,915	\$ 1,832
	=====	=====	=====	=====

The difference between the total cost of all services compared to the net services is due to revenues generated from whole grade sharing, special education tuition, shared staff, open enrollment, student fees and state and federal grants subsidizing certain programs.

Business Type Activities

Revenues of the District's business type activities (food service) were comprised for meals, federal and state reimbursements, and interest earnings. (See Figure A-2).

Business type activities revenues exceeded expenses by \$8,000 in 2005 and \$5,000 in 2004. Charges for meals accounted for 58% of the total revenues for 2005 and 61% of the total revenues for 2004, while contributions from the federal and state government for free and reduced meals and commodities accounts for 42% and 39%, respectively for 2005 and 2004.

Financial Analysis of the District's Funds

The Garnavillo Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the District. At the end of the fiscal year 2005, unreserved fund balance of the general fund was \$981,872 as compared to \$747,441 representing a \$234,431 increase. This increase is due to whole grade sharing revenues. The total fund balance was \$1,011,869 compared to \$767,266 for 2004, representing an increase of \$244,603, which was due to whole grade sharing revenues, a reading first grant and REAP funding.

Proprietary Fund. School Nutrition Fund net assets increased from \$8,297 at June 30, 2004, to \$16,044 at June 30, 2005, representing an increase of approximately 93%. An increase in student and adult lunch prices as well as decreasing operational expenses with the reduction of one staff member and pro-rating insurance benefits increased net assets by \$7,747.

Budgetary Highlights

The District adopts a budget in April for the following year. A comparison of the District's budget amounts compared with actual financial activity is provided in this report in the required supplementary information.

Total receipts were over budget by \$33,446 or approximately 1%. Total disbursements were \$523,696 under budget, or approximately 13%.

Total expenditures were less than budgeted primarily due to the District's general fund budget. It is the District's practice to budget expenditures at the maximum authorized spending authority for the general fund. The District then controls general fund spending through its line-item budget. As a result, the certified budget should always exceed actual expenditures for the year, as required by law.

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets as of June 30, 2005, for its governmental and business type activities was \$785,308 net of accumulated depreciation compared to \$644,646 at June 30, 2004, net accumulated depreciation. This \$140,662 increase results from site improvements in the amount of \$110,178 and furniture and equipment purchases in the amount of \$90,200, less accumulated depreciation of \$59,716. This investment includes land, buildings, and equipment.

Figure A-4
Capital Assets, Net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
Land	\$ 149	\$ 149	\$ ---	\$ ---	\$ 149	\$ 149	0.0 %
Construction in progress	---	---	---	---	---	---	0.0 %
Buildings	223	127	---	---	223	127	75.6 %
Equipment and furniture	413	368	---	---	413	368	12.2 %
Totals	\$ 785	\$ 644	\$ ---	\$ ---	\$ 785	\$ 644	21.8 %
	=====	=====	=====	=====	=====	=====	=====

Long-Term Debt

At June 30, 2005 the District has no long-term debt outstanding.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Garnavillo Community School District and Guttenberg Community School District voters approved a merger to be effective July 1, 2005. Therefore, fiscal year 2005 will be the final year for the Garnavillo Community School District.
- The Garnavillo Community School District currently has a voter approved PPEL of \$.66 per 1,000 of assessed valuation for Physical Plant and Equipment needs. The Guttenberg Community School District does not currently have a voter approved PPEL in place. However, voters approved a 3-year levy of \$.51 per 1,000 of assessed valuation which will go into effect July 1, 2005.

- The District continues to experience declining enrollment. The September 2004 enrollment decreased by 6 students. This trend is anticipated to continue for the next few years.
- Merger of the two districts will create a new district which will no longer be eligible for REAP funding. This federal funding has been used by the Garnavillo Community School District primarily for enhancing education through technology. This funding contributed \$30,992 in fiscal year 2005.
- The Garnavillo Community School District is merging with the Guttenberg Community School District effective July 1, 2005, forming the new district of the Clayton Ridge Community School District. We have been whole grade sharing with the Guttenberg Community School District for the past four years during which time students, staff and both communities have adjusted very well. At the end of the 2004-05 fiscal year, the elementary building currently located in Garnavillo will close its doors. Students in K-4 will be attending at the Guttenberg elementary site, while students in 5-8 will be housed in the middle school located in Garnavillo. The 2005-06 year will also be the first year that the new district will be offering a pre-school program for 3-5 year olds.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives.

If you have questions about this report or need additional financial information, contact Mary Seifert, Garnavillo Community School District, P.O. Box 9, Garnavillo, Iowa 52049.

**BASIC
FINANCIAL
STATEMENTS**

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**STATEMENT OF NET ASSETS
JUNE 30, 2005**

	Governmental Activities	Business Type Activities	Total
	-----	-----	-----
Assets			
Cash and cash equivalents:			
Other	\$ 762,942	\$ 6,893	\$ 769,835
Receivables:			
Property tax:			
Delinquent	19,737	---	19,737
Income surtax	85,795	---	85,795
Accounts	793	584	1,377
Due from other governments	762,386	---	762,386
Inventories	---	8,567	8,567
Capital assets, net of depreciation	785,308	---	785,308
	-----	-----	-----
Total Assets	\$ 2,416,961	\$ 16,044	\$ 2,433,005
	-----	-----	-----
Liabilities			
Accounts payable	\$ 2,753	\$ ---	\$ 2,753
Due to other governments	358,934	---	358,934
Long-term liabilities:			
Early retirement payable	39,281	---	39,281
Portion due after one year:			
Early retirement payable	124,680	---	124,680
	-----	-----	-----
Total Liabilities	\$ 525,648	\$ ---	\$ 525,648
	-----	-----	-----
Net Assets			
Invested in capital assets, net of related debt	\$ 785,308	\$ ---	\$ 785,308
Restricted for:			
Phase III	858	---	858
Title I	23,131	---	23,131
Title IV	5,584	---	5,584
Drug free schools	424	---	424
Management levy	41,357	---	41,357
Physical plant and equipment levy	25,361	---	25,361
Other special revenue purposes	14,305	---	14,305
Local option sales and service tax	91,279	---	91,279
Unrestricted	903,706	16,044	919,750
	-----	-----	-----
Total Net Assets	\$ 1,891,313	\$ 16,044	\$ 1,907,357
	=====	=====	=====

See notes to financial statements.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for	Operating	Capital	Governmental	Business Type	Total
	Expenses	Service	Grants and Contributions	Grants and Contributions	Activities	Activities	
Functions/Programs							
Governmental Activities:							
Instruction:							
Regular instruction	\$ 1,305,407	\$ 55,744	\$ 204,975	\$ ---	\$ (1,044,688)	\$ ---	\$ (1,044,688)
Special instruction	631,181	387,089	21,855	---	(222,237)	---	(22,237)
Other instruction	120,632	57,305	---	---	(63,327)	---	(63,327)
Total Instruction	\$ 2,057,220	\$ 500,138	\$ 226,830	\$ ---	\$ (1,330,252)	\$ ---	\$ (1,330,252)
Support Services:							
Student services	\$ 47,242	\$ 429,004	\$ ---	\$ ---	\$ 381,762	\$ ---	\$ 381,762
Instructional staff services	54,430	---	1,470	---	(52,960)	---	(52,960)
Administration services	275,226	55,890	---	---	(219,336)	---	(219,336)
Operation and maintenance of plant services	283,210	4,900	---	---	(278,310)	---	(278,310)
Transportation services	85,320	---	1,273	---	(84,047)	---	(84,047)
Total Support Services	\$ 745,428	\$ 489,794	\$ 2,743	\$ ---	\$ (252,891)	\$ ---	\$ (252,891)

See notes to financial statements.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for	Operating	Capital	Governmental	Business Type	Total
	Expenses	Service	Grants and Contributions	Grants and Contributions	Activities	Activities	
Functions/Programs (Continued)							
Governmental Activities: (Continued)							
Other Expenditures:							
Facilities acquisition	\$ 26,010	\$ ---	\$ ---	\$ ---	\$ (26,010)	\$ ---	\$ (26,010)
AEA flowthrough	75,791	---	75,791	---	---	---	---
Depreciation (unallocated)*	23,957	---	---	---	(23,957)	---	(23,957)
Total Other Expenditures	\$ 125,758	\$ ---	\$ 75,791	\$ ---	\$ (49,967)	\$ ---	\$ (49,967)
Total Governmental Activities	\$ 2,928,406	\$ 989,932	\$ 305,364	\$ ---	\$ (1,633,110)	\$ ---	\$ (1,633,110)
Business Type Activities:							
Noninstructional Programs:							
Food service operations	111,452	70,247	48,883	---	---	7,678	7,678
Total	\$ 3,039,858	\$ 1,060,179	\$ 354,247	\$ ---	\$ (1,633,110)	\$ 7,678	\$ (1,625,432)

See notes to financial statements.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
General Revenues							
Property tax levied for:							
General purposes					\$ 1,135,353	\$ ---	\$ 1,135,353
Local option sales tax and service tax					95,078	---	95,078
Instructional support surtax					84,405	---	84,405
Unrestricted state grants					642,790	---	642,790
Unrestricted investment earnings					10,823	69	10,892
Other					5,954	---	5,954
Total General Revenues					\$ 1,974,403	\$ 69	\$ 1,974,472
Change in Net Assets					\$ 341,293	\$ 7,747	\$ 349,040
Net Assets Beginning of Year					\$ 1,550,020	\$ 8,297	\$ 1,558,317
Net Assets End of Year					\$ 1,891,313	\$ 16,044	\$ 1,907,357

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	General	Nonmajor Governmental Funds	Total
	-----	-----	-----
Assets			
Cash and pooled investments:			
Other	\$ 611,251	\$ 151,691	\$ 762,942
Receivables:			
Property tax:			
Delinquent	16,876	2,861	19,737
Income surtax	85,795	---	85,795
Accounts	53	740	793
Due from other governments	745,376	17,010	762,386
	-----	-----	-----
Total Assets	\$ 1,459,351	\$ 172,302	\$ 1,631,653
	=====	=====	=====
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 2,753	\$ ---	\$ 2,753
Due to other governments	358,934	---	358,934
Deferred revenue:			
Income surtax	85,795	---	85,795
	-----	-----	-----
Total Liabilities	\$ 447,482	\$ ---	\$ 447,482
	-----	-----	-----
Fund Balances:			
Reserved for:			
Phase 3	\$ 858	\$ ---	\$ 858
Title I	23,131	---	23,131
Title VI	5,584	---	5,584
Drug Free Schools	424	--	424
Unreserved:			
Undesignated	981,872	172,302	1,154,174
	-----	-----	-----
Total Fund Balances	\$ 1,011,869	\$ 172,302	\$ 1,184,171
	-----	-----	-----
Total Liabilities and Fund Balances	\$ 1,459,351	\$ 172,302	\$ 1,631,653
	=====	=====	=====

See notes to financial statements.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005**

Total fund balances of governmental funds	\$ 1,184,171
--	--------------

*Amounts reported for governmental activities in the
Statement of Net Assets are different because:*

Capital assets of \$2,135,301, net of accumulated depreciation of (\$1,349,993) are not financial resources and, therefore, are not reported in the funds.	785,308
--	---------

Long-term liabilities are not due and payable in the current period and are not reported in the funds.	(163,961)
--	-----------

Income surtaxes will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds	85,795
--	--------

Net assets of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; width: 100%;">\$ 1,891,313</div>
--	---

See notes to financial statements.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005**

	General	Nonmajor Governmental Funds	Total
	-----	-----	-----
Revenues			
Local Sources:			
Local tax	\$ 1,064,452	\$ 262,423	\$ 1,326,875
Tuition	426,400	---	426,400
Other	518,478	59,489	577,967
State sources	789,047	---	789,047
Federal sources	160,902	---	160,902
	-----	-----	-----
Total Revenues	\$ 2,959,279	\$ 321,912	\$ 3,281,191
	-----	-----	-----
Expenditures			
Current:			
Instruction:			
Regular instruction	\$ 1,274,993	\$ ---	\$ 1,274,993
Special instruction	637,491	---	637,491
Other instruction	56,550	64,082	120,632
	-----	-----	-----
Total Instruction	\$ 1,969,034	\$ 64,082	\$ 2,033,116
	-----	-----	-----
Support Services:			
Student services	\$ 50,572	\$ ---	\$ 50,572
Instructional staff services	71,322	---	71,322
Administration services	275,226	---	275,226
Operation and maintenance of plant services	151,935	246,524	398,459
Transportation services	121,343	---	121,343
	-----	-----	-----
Total Support Services	\$ 670,398	\$ 246,524	\$ 916,922
	-----	-----	-----
Other Expenditures:			
Facilities acquisition	\$ ---	\$ 26,010	\$ 26,010
AEA flowthrough	75,791	---	75,791
	-----	-----	-----
Total Other Expenditures	\$ 75,791	\$ 26,010	\$ 101,801
	-----	-----	-----
Total Expenditures	\$ 2,715,223	\$ 336,616	\$ 3,051,839
	-----	-----	-----
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 244,056	\$ (14,704)	\$ 229,352
	-----	-----	-----

See notes to financial statements.

GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Nonmajor Governmental Funds	Total
	-----	-----	-----
Other Financing Sources (Uses):			
Sale of equipment and materials	\$ 547	\$ ---	\$ 547
	-----	-----	-----
Total Other Financing Sources (Uses)	\$ 547	\$ ---	\$ 547
	-----	-----	-----
Net Change in Fund Balances	\$ 244,603	\$ (14,704)	\$ 229,899
Fund Balances Beginning of Year	767,266	187,006	954,272
	-----	-----	-----
Fund Balances End of Year	\$ 1,011,869	\$ 172,302	\$ 1,184,171
	=====	=====	=====

See notes to financial statements.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

Net change in fund balances - total governmental funds \$ 229,899

*Amounts reported for governmental activities in the Statement
of Activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$200,378 exceeded depreciation of (\$59,716) in the current period 140,662

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes the net decrease in the early retirement payable. (17,229)

Because income surtaxes will not be collected for several months after the district's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues decreased by this amount this year. (12,039)

Change in net assets of governmental activities -----
\$ 341,293
=====

See notes to financial statements.

EXHIBIT "G"**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA****STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2005**

	School Nutrition -----
Assets	
Cash and cash equivalents	\$ 6,893
Accounts receivable	584
Inventories	8,567

Total Assets	\$ 16,044

Liabilities	
None	\$ ---

Total Liabilities	\$ ---

Net Assets	
Unrestricted	\$ 16,044

Total Net Assets	\$ 16,044
	=====

See notes to financial statements.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005**

	School Nutrition -----
Operating Revenue	
Local sources:	
Charges for services	\$ 70,247 -----
Operating Expenses	
Noninstructional programs:	
Food service operations:	
Salaries and benefits	\$ 49,583
Benefits	9,515
Supplies	52,354 -----
Total Operating Expenses	\$ 111,452 -----
Operating Loss	\$ (41,205) -----
Nonoperating Revenue	
State sources	\$ 1,338
Federal sources	47,545
Interest income	69 -----
Total Nonoperating Revenue	\$ 48,952 -----
Changes in Net Assets	\$ 7,747 -----
Net Assets Beginning of Year	8,297 -----
Net Assets End of Year	\$ 16,044 =====

See notes to financial statements.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005**

	School Nutrition
Cash Flows From Operating Activities:	-----
Cash received from sale of lunches and breakfasts	\$ 70,249
Cash paid to employees for services	(59,098)
Cash paid to suppliers for goods and services	(44,507)

Net Cash Used by Operating Activities	\$ (33,356)

Cash Flows From Noncapital Financing Activities:	
State grants received	\$ 1,338
Federal grants received	40,338
Decrease in interfund payable	(3,625)

Net Cash Provided by Noncapital Financing Activities	\$ 38,051

Cash Flows From Capital and Related Financing Activities:	
None	\$ ---

Cash Flows From Investing Activities:	
Interest on investments	\$ 69

Net Increase in Cash and Cash Equivalents	\$ 4,764
Cash and Cash Equivalents Beginning of Year	2,129

Cash and Cash Equivalents End of Year	\$ 6,893
	=====
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating loss	\$ (41,205)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities used	7,207
Decrease in inventories	640
Decrease in accounts receivable	2

Net Cash Used by Operating Activities	\$ (33,356)
	=====

Non-Cash Investing, Capital and Financing Activities:

During the year ended June 30, 2005, the District received \$7,207 of federal commodities.

See notes to financial statements.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 1 - Summary of Significant Accounting Policies:

The Garnavillo Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Garnavillo Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Garnavillo Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Clayton County Assessor's Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Basis of Presentation (Continued)

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three activities:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Basis of Presentation (Continued)

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 1 - Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for nonnegotiable certificates of deposit which are stated at cost.

For purposes of the statements of cash flows, all short-term cash deposits that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months. All District cash investments met the definition of cash equivalents at June 30, 2005.

Property Tax Receivable - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. Due to the merger of the Garnavillo and Guttenberg Community School Districts into Clayton Ridge Community School District, a succeeding year property tax receivable has not been recorded. The successor entity, Clayton Ridge Community School District, has certified its initial budget for the subsequent fiscal year and property taxes have been levied in the amount of \$2,887,283.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1-1/2% per month penalty for delinquent payments; is based on January 1, 2003, assessed property valuations, is for the tax accrual period July 1, 2004 through June 30, 2005, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Inventories - Inventory items are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land		All
Buildings	\$	1,500
Improvements other than buildings		1,500
Furniture and Equipment:		
School Nutrition Fund equipment		1,500
Other furniture and equipment		1,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-20 years

Compensated Absences - School District employees accumulate sick leave and vacation for subsequent use. These accumulations are not recognized as expenditures by the District until used. The District's policy prohibits payoff of accumulated benefits at termination of employment. Consequently, no liability at June 30, 2005, has been accrued.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the income surtax which is not to be received by the District until 60 days after the fiscal year end.

Due to Other Governments - Due to other governments represents various shared expenses and amounts due to other governments.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amounts budgeted at the functional level of support services and other expenditures. The District did not exceed the General Fund unspent authorized budget.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 2 - Cash and Pooled Investments:

The District's deposits in banks at June 30, 2005, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District has no investments meeting the disclosure requirements of Governmental Auditing Standard Board Statement Number 40.

Note 3 - Iowa School Cash Anticipation Program (ISCAP):

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. There was no participation in ISCAP as of June 30, 2005.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2005 is as follows:

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 3 - Iowa School Cash Anticipation Program (ISCAP): (Continued)

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
-----	-----	-----	-----	-----
2003-04B	\$ 369,000	\$ ---	\$ 369,000	\$ ---
	-----	-----	-----	-----
Total	\$ 369,000	\$ ---	\$ 369,000	\$ ---
	=====	=====	=====	=====

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
-----	-----	-----
2003-04B	2.000%	1.310%

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 4 - Capital Assets:

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	-----	-----	-----	-----
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 149,470	\$ ---	\$ ---	\$ 149,470
	-----	-----	-----	-----
Total capital assets not being depreciated	\$ 149,470	\$ ---	\$ ---	\$ 149,470
	-----	-----	-----	-----
Capital assets being depreciated:				
Buildings	\$ 828,250	\$ 110,178	\$ ---	\$ 938,428
Furniture and equipment	971,561	90,200	14,358	1,047,403
	-----	-----	-----	-----
Total capital assets being depreciated	\$1,799,811	\$ 200,378	\$ 14,358	\$1,985,831
	-----	-----	-----	-----
Less accumulated depreciation for:				
Buildings	\$ 700,767	\$ 14,708	\$ ---	\$ 715,475
Furniture and equipment	603,868	45,008	14,358	634,518
	-----	-----	-----	-----
Total accumulated depreciation	\$1,304,635	\$ 59,716	\$ 14,358	\$1,349,993
	-----	-----	-----	-----
Total capital assets, being depreciated, net	\$ 495,176	\$ 140,662	\$ ---	\$ 635,838
	-----	-----	-----	-----
Total governmental activities capital assets, net	\$ 644,646	\$ 140,662	\$ ---	\$ 785,308
	=====	=====	=====	=====
Business Type Activities:				
Furniture and equipment	\$ 78,007	\$ ---	\$ ---	\$ 78,007
Less accumulated depreciation	78,007	---	---	78,007
	-----	-----	-----	-----
Business type activities capital assets, net	\$ ---	\$ ---	\$ ---	\$ ---
	=====	=====	=====	=====

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 4 - Capital Assets: (Continued)

Depreciation expense was charged to the governmental functions of the District as follows:

Governmental activities:

Instruction:

Regular instruction	\$ 5,079
---------------------	----------

Support services:

Instructional staff support services	23,399
--------------------------------------	--------

Operation and maintenance of plant services	134
---	-----

Transportation services	7,147
-------------------------	-------

Unallocated	23,957
-------------	--------

Total depreciation	\$ 59,716
--------------------	-----------

=====

Business type activities:

Food services	\$ ---
---------------	--------

=====

Note 5 - Long-Term Liabilities:

Changes in long-term liabilities for the year ended June 30, 2005, are summarized as follows:

	Early Retirement

Balance Beginning of Year	\$ 146,732
Additions	53,840
Reductions	(36,611)

Balance End of Year	\$ 163,961
	=====

Early Retirement:

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible certified employee will be based on the employee's salary in effect the last year of the employee's employment with the School District, less supplemental pay or extended contract pay. Early retirement benefits paid during the year ended June 30, 2005 total \$36,611.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 6 - Pension and Retirement Benefits:

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004, and 2003. Contribution requirements are established by the state statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$89,582, \$85,567, and \$89,122, respectively, equal to the required contributions for each year.

Note 7 - Risk Management:

Garnavillo Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 8 - Area Education Agency:

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$75,791 for the year ended June 30, 2005, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 9 - Subsequent Event - District Merger:

On September 14, 2004, a vote was held which approved the merger of the Guttenberg Community School District with the Garnavillo Community School District. The new, merged district will be named Clayton Ridge Community School District and is effective July 1, 2005.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS)
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2005**

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
	-----	-----	-----	Original	Final	-----
Receipts:						
Local sources	\$ 2,212,298	\$ 70,317	\$ 2,282,615	\$ 2,249,517	\$ 2,249,517	\$ 33,098
Intermediate sources	---	---	---	7,000	7,000	(7,000)
State sources	787,986	1,338	789,324	801,423	801,423	(12,099)
Federal sources	160,902	47,545	208,447	189,000	189,000	19,447
	-----	-----	-----	-----	-----	-----
Total Receipts	\$ 3,161,186	\$ 119,200	\$ 3,280,386	\$ 3,246,940	\$ 3,246,940	\$ 33,446
	-----	-----	-----	-----	-----	-----
Disbursements:						
Instruction	\$ 2,200,623	\$ ---	\$ 2,200,623	\$ 2,759,764	\$ 2,759,764	\$ 559,141
Support services	941,896	---	941,896	826,367	926,367	(15,529)
Noninstructional program	---	110,812	110,812	118,790	118,790	7,978
Other expenditures	110,109	---	110,109	82,215	82,215	(27,894)
	-----	-----	-----	-----	-----	-----
Total Disbursements	\$ 3,252,628	\$ 110,812	\$ 3,363,440	\$ 3,787,136	\$ 3,887,136	\$ 523,696
	-----	-----	-----	-----	-----	-----
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ (91,442)	\$ 8,388	\$ (83,054)	\$ (540,196)	\$ (640,196)	\$ 557,142
Other Financing Sources, Net	4,865	(3,624)	1,241	1,500	1,500	(259)
	-----	-----	-----	-----	-----	-----
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	\$ (86,577)	\$ 4,764	\$ (81,813)	\$ (538,696)	\$ (638,696)	\$ 556,883
Balances Beginning of Year	849,519	2,129	851,648	788,988	788,988	62,660
	-----	-----	-----	-----	-----	-----
Balances End of Year	\$ 762,942	\$ 6,893	\$ 769,835	\$ 250,292	\$ 150,292	\$ 619,543
	=====	=====	=====	=====	=====	=====

See accompanying independent auditor's report.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2005**

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 3,161,186	\$ 120,005	\$ 3,281,191
Expenditures	3,252,628	(200,789)	3,051,839
Net	\$ (91,442)	\$ 320,794	\$ 229,352
Other Financing Sources (Uses)	4,865	(4,318)	547
Beginning Fund Balances	849,519	104,753	954,272
Ending Fund Balances	\$ 762,942	\$ 421,229	\$ 1,184,171
	=====	=====	=====
	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 119,200	\$ ---	\$ 119,200
Expenses	110,812	(2,983)	107,829
Net	\$ 8,388	\$ 2,983	\$ 11,371
Other Financing Sources (Uses)	(3,624)	---	(3,624)
Beginning Net Assets	2,129	6,168	8,297
Ending Net Assets	\$ 6,893	\$ 9,151	\$ 16,044
	=====	=====	=====

See accompanying independent auditor's report.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY REPORTING**

YEAR ENDED JUNE 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, noninstructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund that may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$100,000.

During the year ended June 30, 2005, disbursements in the support services and other expenditures area exceeded the amount budgeted. The District did not exceed its General Fund unspent authorized budget.

**OTHER
SUPPLEMENTARY
INFORMATION**

SCHEDULE "1"

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005**

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Management	Student Activity	Physical Plant and Equipment Levy	Capital Projects	
Assets					
Cash and pooled investments	\$ 39,957	\$ 14,305	\$ 23,160	\$ 74,269	\$ 151,691
Receivables:					
Property tax:					
Delinquent	1,400	---	1,461	---	2,861
Accounts	---	---	740	---	740
Due from other governments	---	---	---	17,010	17,010
Total Assets	\$ 41,357	\$ 14,305	\$ 25,361	\$ 91,279	\$ 172,302
Liabilities and Fund Equity					
Liabilities:					
None	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Fund Equity:					
Unreserved fund balances	\$ 41,357	\$ 14,305	\$ 25,361	\$ 91,279	\$ 172,302
Total Liabilities and Fund Balances	\$ 41,357	\$ 14,305	\$ 25,361	\$ 91,279	\$ 172,302

See accompanying independent auditor's report.

SCHEDULE "2"

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005**

	Special Revenue Funds				
	Management	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Total Nonmajor Governmental Funds
Revenues					
Local Sources:					
Local tax	\$ 80,286	\$ ---	\$ 87,059	\$ 95,078	\$ 262,423
Other	3,472	54,273	1,744	---	59,489
Total Revenues	\$ 83,758	\$ 54,273	\$ 88,803	\$ 95,078	\$ 321,912
Expenditures					
Current:					
Instruction:					
Other instruction	\$ ---	\$ 64,082	\$ ---	\$ ---	\$ 64,082
Total Instruction	\$ ---	\$ 64,082	\$ ---	\$ ---	\$ 64,082
Support Services:					
Operation and maintenance of plant services	\$ 81,404	\$ ---	\$ 165,120	\$ ---	\$ 246,524
Total Support Services	\$ 81,404	\$ ---	\$ 165,120	\$ ---	\$ 246,524
Other Expenditures:					
Facilities acquisition	\$ ---	\$ ---	\$ ---	\$ 26,010	\$ 26,010
Total Other Expenditures	\$ ---	\$ ---	\$ ---	\$ 26,010	\$ 26,010
Total Expenditures	\$ 81,404	\$ 64,082	\$ 165,120	\$ 26,010	\$ 336,616
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 2,354	\$ (9,809)	\$ (76,317)	\$ 69,068	\$ (14,704)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ 2,354	\$ (9,809)	\$ (76,317)	\$ 69,068	\$ (14,704)
Fund Balances Beginning of Year	39,003	24,114	101,678	22,211	187,006
Fund Balances End of Year	\$ 41,357	\$ 14,305	\$ 25,361	\$ 91,279	\$ 172,302

See accompanying independent auditor's report.

SCHEDULE "3"**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA****SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND,
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2005**

	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	-----	-----	-----	-----
Middle School Athletics	\$ 4,050	\$ 1,549	\$ 5,988	\$ (389)
Middle School Football	875	---	---	875
Resale - VoAg	267	---	---	267
Flower Fund	4	460	310	154
Fun Night	1,528	5,635	5,939	1,224
Foreign Language Club	83	---	---	83
Library Club	1,565	1,686	2,132	1,119
Speech/Drama	134	1,803	1,296	641
Student Council	2,385	171	505	2,051
"A" Team	1,039	5,730	5,336	1,433
Library Reading	6,772	500	6,148	1,124
Elementary Pop/Juice	1,148	3,721	4,764	105
Interest	3,738	263	---	4,001
Secondary Projects	526	32,755	31,664	1,617
	-----	-----	-----	-----
Total	\$ 24,114	\$ 54,273	\$ 64,082	\$ 14,305
	=====	=====	=====	=====

See accompanying independent auditor's report.

SCHEDULE "4"**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA****SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS**

	Modified Accrual Basis			
	2005	2004	2003	2002
Revenues				
Local Sources:				
Local tax	\$ 1,326,875	\$ 1,270,184	\$ 1,253,502	\$ 1,071,320
Tuition	426,400	129,544	341,012	429,618
Other	577,967	758,228	563,190	672,535
Intermediate Sources	---	9,505	6,534	2,949
State Sources	789,047	797,659	742,067	936,417
Federal Sources	160,902	64,336	133,896	76,921
	-----	-----	-----	-----
Total	\$ 3,281,191	\$ 3,029,456	\$ 3,040,201	\$ 3,189,760
	=====	=====	=====	=====
Expenditures				
Instruction:				
Regular instruction	\$ 1,274,993	\$ 1,475,383	\$ 1,385,207	\$ 1,368,584
Special instruction	637,491	424,400	458,956	478,220
Other instruction	120,632	100,256	115,358	157,387
Support Services:				
Student services	50,572	58,509	26,549	72,890
Instructional staff services	71,322	65,205	65,825	63,271
Administration services	275,226	264,456	287,752	296,242
Operation and maintenance of plant services	398,459	336,802	288,877	257,083
Transportation services	121,343	117,145	123,893	130,502
Other Expenditures:				
Facilities acquisition	26,010	---	---	---
AEA flowthrough	75,791	77,212	82,400	84,116
	-----	-----	-----	-----
Total	\$ 3,051,839	\$ 2,919,368	\$ 2,834,817	\$ 2,908,295
	=====	=====	=====	=====

See accompanying independent auditor's report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the
Garnavillo Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Garnavillo Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 7, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Garnavillo Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal

control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-05 and I-B-05 are material weaknesses. These reportable conditions/material weaknesses were also noted in the prior year's audit.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Garnavillo Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Garnavillo Community School District and other parties to whom Garnavillo Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Garnavillo Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

O'CONNOR, BROOKS & CO., P.C.

Dubuque, Iowa
September 7, 2005

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005**

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We have noted the duties of one individual include: 1) preparation of checks, signing of checks, recording the transactions in the journals, and reconciling the bank statements; 2) receiving cash receipts, preparing the receipt, preparing the bank deposit, and recording the transactions in the journal.

Recommendation - We realize with the limited number of administrative employees, segregation of duties to eliminate incompatible duties is difficult. We also realize the job description, as defined by the Code of Iowa, of certain members of the administrative staff made the segregations even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually, and with each personnel change, to insure the best possible control climate is maintained.

Response - It is not feasible to hire additional personnel, however, we will constantly try to increase our overview and supervision in this area as much as possible.

Conclusion - Response accepted.

I-B-05 Fixed Assets - Fixed assets were not periodically counted and reconciled to the fixed asset listing by an independent person. The fixed asset listing is not being updated on a timely basis.

Recommendation - To provide additional control over the proper recording of fixed assets, fixed assets should be periodically counted and reconciled to the fixed asset listing by a person who does not have custody of the fixed assets. We are recommending the Board consider hiring an outside firm to track District fixed assets.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005**

Part I: Findings Related to the Financial Statements: (Continued)

Reportable Conditions: (Continued)

Response - We will perform an independent count and reconciliation of the fixed assets when the merger of the District with Guttenberg is completed.

Conclusion - Response accepted.

- I-C-05 Reconciliation to General Ledger - As part of our audit procedures, we compare reconciliations of cash balances to those balances recorded in the general ledger. During these procedures, we noted that in two funds (General and Management), the amount in the general ledger did not agree with the reconciliations. We also noticed that the fund balance did not reconcile with the amount recorded in the general ledger for the general fund.

Recommendation - While the amount of variances were not considered material to the financial statements, we recommend that these comparisons be made monthly and any adjustments to the general ledger be made at that time.

Response - We will perform these procedures as recommended.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-05 Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

- II-B-05 Certified Budget - Disbursements for the year ended June 30, 2005, exceeded the amount budgeted in Support Services and Other Expenditures.

Recommendation - We recommend that the budget be amended when disbursements are going over budget in a particular functional area.

Response - We will amend the budget when we anticipate disbursements going over budgeted amounts in a functional area.

Conclusion - Response accepted.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005**

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

- II-C-05 Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-D-05 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-E-05 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-F-05 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-05 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

Although minutes were published, we noticed an instance in which minutes were not published within two weeks as required by Chapter 279.35 of the Code of Iowa.

Recommendation - The District should comply with the Code of Iowa and should publish minutes as required.

Response - We will publish minutes as required by Chapter 279.35 of the Code of Iowa.

Conclusion - Response accepted.

- II-H-05 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-I-05 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

**GARNAVILLO COMMUNITY SCHOOL DISTRICT
GARNAVILLO, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005**

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

II-J-05 Certified Annual Report - The Certified Annual Report was filed with the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-05 Budget Amendments - The District passed a budget amendment after May 31st which is in violation of Chapter 24.9 of the Code of Iowa. The budget amendment was not protested, therefore the amendment is still valid.

Recommendation - The District should try to pass all budget amendments by May 31st to be in compliance with Chapter 24.9 of the Code of Iowa.

Response - We will try to pass all amendments prior to May 31st.

Conclusion - Response accepted.